

**Before the
Federal Communications Commission
Washington, D.C. 20554**

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| In the Matter of |) | |
| |) | |
| Material to be Filed in Support of |) | WC Docket No. 20-55 |
| 2020 Annual Access Tariff Filings |) | |

ORDER

Adopted: May 12, 2020

Released: May 12, 2020

By the Chief, Pricing Policy Division, Wireline Competition Bureau:

I. INTRODUCTION

1. In this Order, we set forth the Tariff Review Plans (TRPs) to be used by incumbent local exchange carriers (LECs) to substantiate their interstate access service tariff revisions filed in 2020 (the 2020 TRPs).¹ We also waive section 69.3(a) of the Commission's rules to the extent necessary to implement non-rate-level reforms associated with various Commission orders included in the 2020 TRPs.²

2. The 2020 TRPs reflect implementation of the transitional rate changes and recovery rules adopted in the *USF/ICC Transformation Order*.³ The 2020 TRPs for rate-of-return incumbent LECs also implement the universal service reforms and related tariffing requirements adopted in the *Rate-of-Return Reform Order*, *Rate-of-Return BDS Order*, and *2018 Jurisdictional Separations Order*.⁴ Completed versions of the 2020 TRPs appended to this document will provide the supporting documentation to fulfill, in part, the requirements contained in sections 51.700 through 51.715, 51.901 through 51.919, 61.38, 61.39, 61.41 through 61.50, and 69.3 of the Commission's rules.⁵ The 2020 TRPs display support

¹ TRP formats for the annual filings are developed for the specific circumstances of the tariff year in which the revised rates will become effective. The filing date and comment periods for this year's annual access charge filings were released earlier in a separate order. *July 1, 2020 Annual Access Charge Tariff Filings*, WC Docket No. 20-55, Order, DA 20-413 (WCB Apr. 15, 2020).

² 47 CFR § 69.3(a).

³ *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17934-35, para. 801 (2011) (*USF/ICC Transformation Order*), *pets. for review denied sub nom. In re: FCC 11-161*, 753 F.3d 1015 (10th Cir. 2014) (stating that although many of the switched access rate elements are subject to the transition adopted, other rates were not being specifically reduced at that time).

⁴ *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order, Order and Order on Reconsideration and Further Notice of Proposed Rulemaking, 31 FCC Rcd 3089 (2016) (*Rate-of-Return Reform Order*); *Regulation of Business Data Services for Rate-of-Return Local Exchange Carriers et al.*, WC Docket No. 17-144 et al., Report and Order, Further Notice of Proposed Rulemaking, and Second Further Notice of Proposed Rulemaking, 33 FCC Rcd 10403 (2018) (*Rate-of-Return BDS Order*); *Jurisdictional Separations and Referral to the Federal-State Joint Board*, 33 FCC Rcd 12743, Report and Order and Waiver (2018) (*2018 Jurisdictional Separations Order*).

⁵ 47 CFR §§ 51.700-51.715, 51.901-51.919, 61.38-61.39, 61.41-61.50, 69.3. Although they are not incumbent local exchange carriers, centralized equal access (CEA) providers are regulated as dominant rate-of-return carriers subject to the cost-based tariff filing requirements of section 61.38, in addition to the benchmarking requirements of section

data in a consistent manner, thereby facilitating review of the incumbent LECs' rate revisions by the Commission and interested parties. The annual TRPs have served this purpose effectively for many years.

II. BACKGROUND

3. In the *USF/ICC Transformation Order*, the Commission adopted a number of rules requiring incumbent LECs to adjust, over a period of years, many of their switched access charges effective on July 1 of each of those years, with the ultimate goal of transitioning to a bill-and-keep regime.⁶ The Commission also adopted a recovery mechanism to mitigate the impact of reduced intercarrier compensation revenues on carriers and to facilitate continued investment in broadband infrastructure.⁷ As part of the recovery mechanism, the Commission defined as "Eligible Recovery" the amount of intercarrier compensation revenue reductions that incumbent LECs would be eligible to recover through a combination of an end-user, Access Recovery Charge (ARC),⁸ and, where eligible and if an incumbent LEC elects to receive it, Connect America Fund Intercarrier Compensation (CAF ICC) support.⁹ An incumbent LEC's Eligible Recovery is based on a decreasing percentage of the cumulative reduction in revenue each year resulting from the intercarrier compensation reform transition.¹⁰

4. In the *Rate-of-Return Reform Order*, the Commission modified the rules governing the provision of high-cost universal service support to rate-of-return incumbent LECs.¹¹ The Commission allowed rate-of-return incumbent LECs the option of electing model-based support for a term of 10 years in exchange for meeting defined build-out obligations.¹² For rate-of-return incumbent LECs not electing model-based support, the Commission modernized the existing interstate common line support rules to provide support in situations where the customer no longer subscribes to traditional regulated local exchange voice service, i.e., subscribes to stand-alone broadband.¹³ This revised form of support is known as Connect America Fund Broadband Loop Support (CAF BLS). As part of its implementation of the *Rate-of-Return Reform Order*, the Commission revised certain cost allocation and tariffing rules for rate-of-return incumbent LECs to introduce supported Consumer Broadband-only Loop (CBOL) services.¹⁴

5. With respect to pricing considerations, the Commission required rate-of-return incumbent LECs offering supported stand-alone broadband loops to move costs for these loops from the special

61.26. 47 CFR §§ 61.26, 61.38, 69.3(f)(1); see *AT&T Corp. v. Iowa Network Services, Inc. d/b/a Aureon Network Services*, Proceeding No. 17-56, Bureau ID No. EB-17-MD-001, Memorandum Opinion and Order, 32 FCC Rcd 9677, 9680, 9690, paras. 8, 26 (2017), *pet. for review pending*, *AT&T Corp. v. FCC*, No. 18-1007 (D.C. Cir. filed Jan. 8, 2018); *Iowa Network Access Division, Tariff F.C.C. No. 1*, WC Docket No. 18-60, Memorandum Opinion and Order, 33 FCC Rcd 7517, 7519, para. 4 (2018), *pet. for review pending*, *Iowa Network Servs., Inc. v. FCC*, No. 18-1258 (D.C. Cir. filed Sept. 19, 2018). CEA providers are required to make cost-supported tariff filings this year, pursuant to the guidance contained herein.

⁶ *USF/ICC Transformation Order*, 26 FCC Rcd at 17934-35, para. 801.

⁷ *Id.* at 17677, para. 36.

⁸ *Id.* at 17958, para 852.

⁹ *Id.* at 17957, para. 850.

¹⁰ *Id.* at 17957-58, paras. 850-51.

¹¹ *Rate-of-Return Reform Order*, 31 FCC Rcd at 3089, para. 1.

¹² *Id.* at 3094-117, paras. 17-79.

¹³ *Id.* at 3117-57, paras. 80-187.

¹⁴ *Id.* at 3157-62, paras. 188-204.

access service category to a new CBOL service category.¹⁵ Beginning with the 2018 annual access tariff filing, the amount to be moved is to be determined consistent with the Part 36 and Part 69 cost allocation rules.¹⁶

6. The Commission also adopted rules governing the tariffing of CBOL rates, including a \$42 per-loop, per-month rate cap for rate-of-return incumbent LECs electing model-based or Alaska Plan support and a rate methodology for rate-of-return incumbent LECs receiving CAF BLS.¹⁷ For rate-of-return incumbent LECs electing model-based support, the Commission determined that such carriers would not be eligible to participate in the National Exchange Carrier Association (NECA) common line pooling mechanism but could elect to have NECA tariff their common line rates.¹⁸ The Commission further required rate-of-return incumbent LECs to impute an amount equal to the ARC they assess on voice/broadband lines to their supported CBOL service.¹⁹ Beginning with the 2018 annual access tariff filing, the ARC imputation rule was revised for a five-year period to require rate-of-return incumbent LECs to limit the imputed amount so that total ARC revenues and imputation for the current tariff period do not exceed a pre-*Rate-of-Return Reform Order* baseline as a result of CBOL imputation, rate-of-return incumbent LECs' filings must also reflect the true-up of that 2018 imputation.²⁰

7. In the *Rate-of-Return Reform Order*, the Commission also represeted the authorized rate of return from 11.25% to 9.75%.²¹ The rate of return is a key input in a rate-of-return incumbent LEC's revenue requirement calculation, which is the basis for its common line and special access rates, and for any high-cost support it receives. Beginning July 1, 2016, the 11.25% rate of return is reduced by 25 basis points annually until it reaches the represeted 9.75% in 2021.²² Effective July 1, 2020, the authorized rate of return will be 10.0%.²³

8. In the *Rate-of-Return BDS Order*, the Commission adopted rules allowing rate-of-return incumbent LECs receiving model-based or other forms of fixed high-cost universal service support to elect incentive regulation for their lower capacity (DS3 or lower) time division multiplexing (TDM)-based transport and end-user channel termination business data services (BDS) offerings, effective July 1, 2020.²⁴ The Commission also allowed electing rate-of-return incumbent LECs subject to the separations category relationship freeze to opt out of the freeze and update their category relationships effective July 1, 2020.²⁵

¹⁵ *Id.* at 3158-59, paras. 190-91.

¹⁶ See *Connect America Fund et al.*, WC Docket No. 10-90 et al, Second Order on Reconsideration and Clarification, 33 FCC Rcd 2399, 2402-03, paras. 10-13 (2018) (*Rate-of-Return Reform Reconsideration Order*); 47 CFR §§ 69.311(b), 69.416.

¹⁷ *Rate-of-Return Reform Order*, 31 FCC Rcd at 3459-60, paras. 194, 197-98; 47 CFR §§ 69.132(c)-(d).

¹⁸ *Id.* at 3160, paras. 195-96.

¹⁹ *Id.* at 3161-62, para. 203.

²⁰ *Rate-of-Return Reform Reconsideration Order*, 33 FCC Rcd at 2404, paras. 16-17; see 47 CFR § 51.917(f).

²¹ *Rate-of-Return Reform Order*, 31 FCC Rcd at 3171-3212, paras. 10, 226-326.

²² *Id.* at 3212, para. 326.

²³ *Id.*

²⁴ *Rate-of-Return BDS Order*, 33 FCC Rcd at 10454-57, para. 3; see *Business Data Services in an Internet Protocol Environment et al.*, WC Docket No. 16-143, et al., Report and Order, 32 FCC Rcd 3459 (2017) (*Price Cap BDS Order*), remanded in part sub nom. *Citizens Telecomms. Co. of Minn., LLC v. FCC*, 901 F.3d 991 (8th Cir. 2018).

²⁵ *Rate-of-Return BDS Order*, 33 FCC Rcd at 10422-26, paras. 45-59; see *2018 Jurisdictional Separations Order*, 33 FCC Rcd at 12753-57, paras. 29, 31, 34, 36-40.

III. IMPLEMENTATION OF THE COMMISSION'S ORDERS

A. Tariff Review Plan Content for Rate-of-Return Incumbent LECs

9. Prior to July 1, 2016, rate-of-return incumbent LECs using projected cost and demand data pursuant to section 61.38 filed access tariff revisions only in even-numbered years and carriers using historical cost and demand data pursuant to section 61.39 filed only in odd-numbered years.²⁶ Beginning July 1, 2016, however, all rate-of-return incumbent LECs must file access service tariff revisions each year in order to implement the required annual reduction of 25 basis points to the authorized rate of return.²⁷ In addition, pursuant to the *USF/ICC Transformation Order*, all rate-of-return incumbent LECs must file a TRP each year to comply with the requirements of sections 51.909(j), 51.917(d)(iv), and 51.917(e) of the Commission's rules.²⁸

10. Rate-of-return incumbent LECs that provide CBOL service and receive CAF BLS are required to revise their CBOL rates to reflect the level of CAF BLS they expect to receive this coming tariff year.²⁹ Rate-of-return incumbent LECs subject to section 61.38 of the Commission's rules must base rate-of-return regulated rates for the coming tariff year on new cost studies.³⁰ Rate-of-return incumbent LECs subject to section 61.39 may base rates for services subject to rate-of-return regulation on last year's studies, adjusted to reflect this coming year's prescribed rate of return.³¹

11. We remind rate-of-return incumbent LECs that offer CBOL service that they are responsible for ensuring that all relevant carrier data is reflected in TRPs filed with the Commission, whether CBOLs are provided on a tariffed or detariffed basis. Thus, for a carrier receiving CAF BLS that is tariffing a CBOL rate, the filing entity—whether the carrier, NECA or cost consultant—must include in the 2020 TRP the data necessary to determine the maximum permitted CBOL rate.³² Similarly, the entity filing special access rates for a rate-of-return incumbent LEC—whether the carrier, NECA or a cost consultant—must include in the 2020 TRP data for the special access costs reallocated to the CBOL category. A carrier that has detariffed its CBOL rates shall provide the required information related to those rates in the relevant portion of the TRP.

12. In the *Rate-of-Return Reform Order*, the Commission required rate-of-return incumbent LECs to impute to their supported CBOL lines an amount equal to the ARC they assess on voice/broadband lines.³³ Such ARC imputation applies to all supported lines, and is calculated based on the type of broadband-only line (i.e., residential, single-line business, or multi-line business).³⁴ Rate-of-return incumbent LEC tariff filings must incorporate the limit on imputed ARC revenues from CBOL lines and the true-up of the imputation made two years ago.³⁵

²⁶ 47 CFR §§ 61.38, 61.39, 69.3(f)(1), (2).

²⁷ *Rate-of-Return Reform Order*, 31 FCC Rcd at 3212, para. 326.

²⁸ 47 CFR §§ 51.909(j), 51.917(d)(iv), (e).

²⁹ *Rate-of-Return Reform Reconsideration Order*, 33 FCC Rcd at 2403, para. 13.

³⁰ *Id.* at 2402-03, paras. 9-13.

³¹ *Id.*

³² 47 CFR § 69.132(c) (“[T]he single-line rate or charge shall be computed by dividing one-twelfth of the projected annual revenue requirement for the Consumer Broadband-Only Loop category (net of the projected annual Connect America Fund Broadband Loop Support attributable to consumer broadband-only loops) by the projected average number of consumer broadband-only service lines in use during such annual period.”).

³³ *Rate-of-Return Reform Order*, 31 FCC Rcd at 3161-62, para. 203.

³⁴ 47 CFR § 51.915(f)(4); *see Rate-of-Return Reform Order*, 31 FCC Rcd at 3161-62, para. 203.

³⁵ *Rate-of-Return Reform Reconsideration Order*, 33 FCC Rcd at 2404, paras. 16-17; *see* 47 CFR § 51.917(f).

13. In the *Rate-of-Return BDS Order*, the Commission required carriers that file their own tariffed rates and that elect incentive regulation for their BDS offerings effective July 1, 2020 to establish the initial rates (before adjustments for the X-factor, inflation factor, exogenous cost changes, and unfreezing category relationships) for lower-capacity TDM transport and end-user channel termination services, other than end-user channel termination services in areas deemed competitive, based on the electing carriers' tariffed rates in effect on January 1, 2020.³⁶ For rate-of-return incumbent LECs participating in the NECA traffic-sensitive tariff pool, carriers electing incentive regulation for their BDS offerings effective July 1, 2020 will establish initial BDS rates (before the adjustments mentioned above) under incentive regulation by multiplying the NECA pool rates in effect on January 1, 2020 by a net contribution or net recipient factor in accordance with the procedure set forth in the *Rate-of-Return BDS Order*.³⁷

14. In the *Rate-of-Return BDS Order*, the Commission required rate-of-return incumbent LECs electing BDS incentive regulation that choose to update their frozen separation category relationships effective July 1, 2020 to conduct two 2019 cost studies—one based on frozen category relationships and one based on unfrozen relationships.³⁸ To determine its BDS rates under incentive regulation, the electing rate-of-return incumbent LEC develops a rate adjustment factor by dividing the BDS costs from the cost study based on unfrozen category relationships by the BDS costs from the cost study based on frozen category relationships.³⁹ The carrier then applies this factor to the initial BDS rates (prior to adjustments for the X-factor, inflation factor, and any exogenous cost changes) established in accordance with the procedures adopted in the *Rate-of-Return BDS Order* to set the carrier's initial rates for lower capacity (DS3-level and below) TDM-based BDS under incentive regulation. The carrier then adjusts these rates for the X-factor, inflation factor, and any exogenous cost changes and may adjust these rates to reflect any pricing flexibility allowed among services within the special access basket.⁴⁰

15. The Commission also required electing carriers unfreezing their category relationships to take steps to prevent double recovery of costs. These carriers must calculate the difference between the interstate switched access costs in the two 2019 cost studies and adjust their Base Period Revenue based on this difference before applying the Rate-of-Return Carrier Baseline Adjustment Factor to the Base Period Revenue, as required by the *USF/ICC Transformation Order*.⁴¹ These carriers must include in their 2020 annual access tariff filing workpapers showing how they implemented the unfreezing measures set forth in the *Rate-of-Return BDS Order*.⁴² Electing carriers that participate in the NECA tariff must also report to NECA the interstate switched access cost difference between the two 2019 cost studies and

³⁶ *Rate-of-Return BDS Order*, 33 FCC Rcd at 10418, para. 37.

³⁷ *Id.* at 10418-19, paras. 38-39. Electing carriers currently participating in NECA traffic-sensitive tariff pool for their BDS or special access service offerings must remove such offerings from the pool since those services will be subject to incentive regulation. *Id.* at 10414-15, para. 29.

³⁸ *Rate-of-Return BDS Order*, 33 FCC Rcd at 10425-26, para. 56.

³⁹ *Id.* at 10425-26, para. 56 n.157.

⁴⁰ *Id.* at 10425-26, para. 56.

⁴¹ *Id.* at 10426, para. 57; see *USF/ICC Transformation Order*, 26 FCC Rcd at 17957-58, 17982-83, paras. 851, 899; 47 CFR § 51.917(b)(3). A rate-of-return incumbent LEC's Base Period Revenue is the sum of certain intrastate switched access revenues and net reciprocal compensation revenues received by March 31, 2012, for services provided during Fiscal Year 2011, and the projected revenue requirement for interstate switched access services for the 2011-2012 tariff period (July 1, 2011 through June 30, 2012). See 47 CFR § 51.917(b)(7). The Rate-of-Return Carrier Baseline Adjustment Factor is equal to 95% for the period beginning July 1, 2012. It is reduced by 5% of its previous value in each subsequent annual tariff filing. See 47 CFR § 51.917(b)(3).

⁴² *Rate-of-Return BDS Order*, 33 FCC Rcd at 10426, para. 58.

its revised Base Period Revenue amount.⁴³ NECA must reflect these Base Period Revenue changes in its settlement procedures.⁴⁴

B. Annual Tariff Filing Rate-Level Limitation

16. Section 69.3(a) of the Commission's rules limits the annual access charge tariff filing to rate-level changes.⁴⁵ Because the 2020 TRPs include implementation of non-rate-level reforms associated with the *USF/ICC Transformation Order*, *Rate-of-Return Reform Order*, *Rate-of-Return BDS Order* and *2018 Jurisdictional Separations Order*, we find good cause to waive the limitation contained in section 69.3(a) to allow compliance with those orders. This waiver is consistent with actions we have taken in prior annual access tariff filing periods.⁴⁶

IV. PRICE CAP TARIFF REVIEW PLAN

17. In the *LEC Price Cap Order*, the Commission adopted price cap regulation for certain incumbent LECs, effective January 1, 1991.⁴⁷ Price cap incumbent LECs file tariffs each year. All price cap incumbent LECs should use the forms contained in the Appendix and file price cap annual access 2020 TRPs, as outlined below.

A. Price Cap TRP Spreadsheets and Workpapers

18. We adopt several changes for the 2020 price cap annual access TRP. The spreadsheets and workpapers discussed below are contained in the Appendix.

1. ARC Spreadsheets

19. The ARC spreadsheets consist of three individual spreadsheets that demonstrate the calculations necessary to determine an ARC rate. These spreadsheets were created to comply with sections 51.915(e) and (f) of the Commission's rules, and include the 2020 Rate Ceiling, 2020 Tariff Rate Comparison, and 2020 True Up spreadsheets.⁴⁸

2. Eligible Recovery Spreadsheet

20. The 2020 Eligible Recovery spreadsheet calculates the amount of Eligible Recovery a price cap incumbent LEC is entitled to receive pursuant to section 51.915(d) of the Commission's rules.⁴⁹ This year, the Eligible Recovery spreadsheet has been modified to change formulas in compliance with section 51.915(d)(viii) of the Commission's rules.⁵⁰

⁴³ *Id.* at 10426, para. 57.

⁴⁴ *Id.*

⁴⁵ 47 CFR § 69.3(a).

⁴⁶ See, e.g., *Material to be Filed in Support of 2019 Annual Access Tariff Filings*, WC Docket No. 19-47, Order, 34 FCC Rcd 2727, 2733, para. 19 (WCB 2019) (*2019 TRP Order*); see also 47 CFR § 1.3 ("Any provision of the rules may be waived by the Commission on its own motion or on petition if good cause therefore is shown."); *Northeast Cellular Telephone Co. v. FCC*, 897 F.2d 1164, 1166 (D.C. Cir. 1969) (citing *WAIT Radio v. FCC*, 418 F.2d 1153, 1159 (D.C. Cir. 1969)) (explaining that waivers must show special circumstances warranting a deviation from the general rule, and show such a deviation will serve the public interest).

⁴⁷ *Policy and Rules Concerning Rates for Dominant Carriers*, Second Report and Order, 5 FCC Rcd 6786 (1990) (*LEC Price Cap Order*), *aff'd sub nom. National Rural Telecom Ass'n v. FCC*, 988 F.2d 174 (D.C. Cir. 1993).

⁴⁸ 47 CFR § 51.915(e)-(f).

⁴⁹ *Id.*; § 51.915(d).

⁵⁰ *Id.*; § 51.915(d)(viii).

3. ICC Summary Spreadsheet

21. The 2020 Price Cap Summary spreadsheet provides a summary of data contained in the ARC, 2020 Eligible Recovery, and 2020 True Up spreadsheets.

4. IND1 Spreadsheet

22. The IND1 spreadsheet displays price cap indices (PCIs), actual price indices (APIs), service band indices (SBIs), and upper SBI limits. There are no changes to this spreadsheet. For the special access basket, to assist in verifying the historical indices reported in IND1, price cap incumbent LECs must continue to file workpapers that identify transmittals in which the current index levels became effective.

5. CAP Spreadsheets

23. Price cap incumbent LECs develop the End User Common Line (EUCL) Charge, the Presubscribed Interexchange Carrier Charge (PICC) and Carrier Common Line (CCL) rates, which are the rates that recover common line, marketing and transport interconnection (CMT) revenue, on CAP-1, CAP-2, CAP-3, CAP-4, and CAP-5.

24. Price cap incumbent LECs that price certain common line rate elements separately by jurisdiction within a study area are required to develop such individual rates, instead of a roll up or average rate, on the CAP-1J form.

6. PCI1 Spreadsheet

25. The PCI1 spreadsheet displays the calculation of the proposed PCIs for the price cap baskets and includes the following data: (1) the Gross Domestic Product Price Index (GDP-PI) measuring inflation; (2) the productivity offset (X-Factor);⁵¹ (3) the exogenous cost change (Z); (4) the base-year (calendar-year 2019) revenue (R) for each basket; (5) the weighting factor (w) used in computing the PCIs; and (6) the immediately preceding PCIs. There are no revisions to this spreadsheet.

7. SUM1 Spreadsheet

26. This is a summary spreadsheet displaying the revenues in baskets and categories. It displays the base-year demand multiplied by: (1) rates at last PCI update; (2) current rates; and (3) proposed rates. SUM1 calculates the difference in revenues using base-year demand, under current and proposed rates. It also displays “R,” the revenue variable in the PCI formula that equals base period demand multiplied by rates at last PCI update. There are no revisions to the SUM1 spreadsheet.

8. EXG Spreadsheets

27. The EXG1 spreadsheet displays the exogenous cost changes to the PCIs attributable to any: (1) sale of exchanges; (2) FCC regulatory fees; (3) excess deferred taxes; (4) amortization of investment tax credits; (5) low end adjustment calculations; (6) fees associated with Telecommunications Relay Service (TRS); (7) changes in the allocation of costs between regulated and unregulated activities; (8) North American Numbering Plan Administration (NANPA) expenses; (9) removal of thousand block number pooling; or (10) other exogenous cost changes the price cap incumbent LECs may file. There are no revisions to the EXG1 spreadsheet. The EXG2 spreadsheet displays the net exogenous shifts related to bands and zones. There are no revisions to the EXG2 spreadsheet.

28. Price cap incumbent LECs shall reflect an exogenous cost adjustment for TRS in a mid-September filing to incorporate the final contribution factor for tariff year 2020-21 in rates to become effective October 1, as this factor was not available by May 1. That exogenous cost adjustment for TRS shall be “grossed up” to spread the entire adjustment over the remaining months in the tariff year. The exogenous cost adjustments for regulatory and NANPA fees also shall be reflected in rates that take effect

⁵¹ The X-Factor is set pursuant to section 61.45 of the Commission’s rules. 47 CFR § 61.45.

October 1, as these fees are obligations covering a fiscal year that begins October 1. The exogenous cost adjustment for TRS for tariff year 2019-2020 had to be grossed up and reflected in rates effective October 1, 2019, because the final contribution factor was not available by May 1 last year.⁵² Price cap incumbent LECs therefore must make an exogenous cost adjustment in this year's annual filing to remove the effect of that gross up. Otherwise, incumbent price cap carriers will over-recover their TRS exogenous costs beginning July 1, 2020. Finally, incumbent price cap LECs have the option of not making an October 1 exogenous cost filing and rate adjustment if the total amount of such adjustments would either increase rates or meet a *de minimus* threshold of \$960.00, which is the current tariff filing fee, applied on the same basis as the tariff filing for which the filing fee is paid.⁵³

9. RTE1 Spreadsheets

29. These spreadsheets display information used to compute the APIs, SBIs, and upper SBI. They display base year 2019 demand, rates at last PCI update, current rates, proposed rates, and three different revenue figures computed by multiplying the 2019 demand by rates at last PCI update, current rates, and proposed rates, respectively. The RTE1 spreadsheets enable the Commission to verify the accuracy of "R," the revenue variable in the PCI formula that equals base period demand multiplied by rates at last PCI update. Demand and price data are reported in the aggregate under the primary rate elements of each category. The level of aggregation in the RTE1 spreadsheets allows rapid, consistent verification of index calculations across all companies. There are no revisions to these spreadsheets.

10. Rate Detail Spreadsheet

30. In their previous annual filings, each price cap incumbent LEC provided a spreadsheet that gave complete rate element detail, i.e., demand, rates at last PCI update, existing rates, and proposed rates for each rate element subject to price caps, and revenues at each of these rates. Price cap incumbent LECs should again file this spreadsheet with their 2020 annual access tariff filing. We leave unspecified the exact format of the rate detail spreadsheet because each price cap incumbent LEC has a different number of rate elements. For each rate element, however, price cap incumbent LECs should display the rate element name, jurisdiction, base period demand, rates at last PCI update, current rates, and proposed rates, and revenues at each of these rates based on base period demand. Price cap incumbent LECs also may include a rate-identifying code. The revenue amounts for baskets and categories should be totaled to assist in verifying the agreement between this form and the revenue amounts in RTE1. The variation in the number of rate elements among price cap incumbent LECs prevents us from specifying the row numbers, but each row of this spreadsheet should correspond to only one rate element. The rows should reflect the basket and service category sequence used in RTE1. There are no revisions to this spreadsheet.

11. Services Excluded from Price Caps

31. For the 2020 filing, we require price cap incumbent LECs to provide a list of services that are tariffed but excluded from price caps. The list should identify the tariff section containing each service. Rate element details must be provided for the following categories: Special Construction/Individual Case Basis; End User Charges (e.g., USF charges, LNP); Government Services (e.g., FTS); Miscellaneous/Other (e.g., engineering services); and services that were in price caps but have been removed (e.g., interexchange services). Price cap incumbent LECs do not have to include in this list services not subject to price cap regulation pursuant to the *USF/ICC Transformation Order* or *Price Cap BDS Order*.⁵⁴ For the remaining services included in the list, price cap incumbent LECs must identify the service, indicate whether the rate is recurring or non-recurring, and the authority relied on to

⁵² See 2019 TRP Order, 34 FCC Rcd at 2735, para. 32.

⁵³ 47 CFR § 1.1105.

⁵⁴ See *USF/ICC Transformation Order*, 26 FCC Rcd 17663; *Price Cap BDS Order*, 32 FCC Rcd 3459.

remove the service, where applicable. Price cap incumbent LECs must also clearly state in their cover letter where this information can be found in their TRP.

B. Miscellaneous

32. In addition to the above specifications, price cap incumbent LECs must include with their support materials a list of all currently applicable Part 69 waivers. The list should include the following information: (1) a citation to the Commission or Bureau order granting the waiver; (2) a brief description of the waiver, including whether any new rate elements were authorized; and (3) the basket and, if applicable, service category of each rate element affected by the waiver.

V. RATE-OF-RETURN TARIFF REVIEW PLAN

A. Modifications to the Rate-of-Return TRP

33. In the 2020 rate-of-return TRP, we adopt certain modifications to the 2019 rate-of-return TRP to continue to implement the *USF/ICC Transformation Order*, *Rate-of-Return Reform Order*, and *Rate-of-Return BDS Order*. These modifications are reflected in the workbooks referenced below. In addition, we attach a TRP for rate-of-return incumbent LECs subject to incentive regulation for certain BDS offerings. These TRPs are contained in the Appendix. CEA providers, which are required to file tariffs this year, are directed to submit demand and cost data to support the proposed rate for each rate element reflected in their tariffs, though we do not require a specific format for these data.⁵⁵ At a minimum, however, these providers should include in their filings worksheets in native Excel format with data sufficiently disaggregated as to show how the proposed rates are developed in a manner consistent with our part 32, 36, 64, and 69 accounting rules.⁵⁶

34. For section 61.38 carriers, the 2020 workbooks related to rate-of-return regulation of special access, common line, and CBOL services are modified to reflect the results of the two 2019 cost studies that carriers that unfreeze their category relationships must submit as support for their proposed rates and to adjust their Base Period Revenue.⁵⁷ The “2020 Annual Filing RoR CAF-BLS” and “2020 Annual Filing RoR ACAM” workbooks apply to section 61.38 carriers that receive CAF-BLS and Alternative Connect America Cost Model (ACAM)-based support, respectively. Worksheet “COS-1(H)” in each of these workbooks displays the results of the 2019 cost study that supports the proposed rates, i.e., the cost study that reflects unfrozen category relationships for carriers that unfreeze their category relationships, and frozen or unfrozen category relationships for the other carriers, whichever is applicable.⁵⁸ Worksheet “COS-1(H) Frozen Cat. Rel.” displays the results of the cost study that reflects frozen category relationships for carriers that unfreeze their category relationships.

⁵⁵ See 47 CFR § 61.38.

⁵⁶ See 47 CFR parts 32, 36, 64 and 69.

⁵⁷ 47 CFR § 61.38.

⁵⁸ Carriers subject to section 61.38 set their rates to recover projected costs. As part of its annual tariff filing, each of these carriers is required to submit a historical cost study for the most recent 12-month period and a study containing a projection of costs for a representative 12-month period. 47 CFR § 61.38(b)(1). Each such carrier that chooses to update its category relationships must reflect the updated relationships in the historical cost study it submits with its annual filing for tariff-year 2019-2020 and apply these updated relationships in its study of projected costs. The carrier must base the difference between the interstate switched access costs (calculated in order to adjust Base Period Revenue) on the costs in the historical cost study that reflects unfrozen category relationships and the costs in a second study that is the same except that it reflects frozen category relationships. See 47 CFR § 61.38(b)(1)(i)-(ii); *2018 Jurisdictional Separations*, 33 FCC Rcd at 12757, para. 38 n.111; *Rate-of-Return BDS Order*, 33 FCC Rcd at 10425-26, para. 56.

35. Section 61.39 carriers that receive CBOL support should submit the “2020 section 61.39 ILEC Special Access Reallocation” workbook for their special access and CBOL services.⁵⁹ This workbook requires data and displays the required cost reallocation from special access to the CBOL category. It also calculates the maximum permitted CBOL rate for 61.39 carriers that receive CAF BLS.

36. Section 61.38 and 61.39 carriers should complete the ARC-related workbooks for their switched access services,⁶⁰ including the “2020 Rate Ceiling CAF RoR ILEC” or “2020 Rate Ceiling No CAF RoR ILEC,” “2020 Tariff Rate Comp CAF RoR ILEC” or “2020 Tariff Rate Comp No CAF RoR ILEC,” and “2020 True-Up RoR ILEC” workbooks, and the rate and Eligible Recovery-related workbook, “2020 RoR ILEC ICC Data.”⁶¹ The “2020 RoR ILEC ICC Data” workbook contains worksheets for carriers to determine their intrastate and interstate rates and Eligible Recovery, pursuant to sections 51.909(b)-(j) and 51.917(d) of the Commission’s rules.⁶² In addition, there are worksheets for carriers to calculate their reciprocal compensation rates and Eligible Recovery pursuant to sections 51.705(c)(4) and 51.917(d) of the Commission’s rules, and to summarize their Eligible Recovery.⁶³ These worksheets are modified to the extent necessary to implement the requirements of the *USF/ICC Transformation Order* for the step of the transition required for the July 1, 2020 annual access charge tariff filing.⁶⁴ These worksheets are also streamlined to display only the most recent three years of data and calculations, including this year, the final year of the switched access rate transition for rate-of-return carriers. Also, the “2020 RoR ILEC Interstate Rates” worksheet in this workbook is modified to adjust Base Period Revenue for the effect of unfreezing category relationships, as applicable. Further, the “2020 True-Up RoR ILEC” workbook modifies the CBOL revenue imputation true-up calculation to incorporate the limit on imputed ARC revenues from CBOL lines introduced in tariff year 2018-2019.⁶⁵ Carriers filling out these worksheets must also provide a summary of the data from these worksheets in the “2020 RoR ILEC Summary” workbook.

37. NECA prepared TRPs for rate-of-return incumbent LECs electing incentive regulation for BDS services pursuant to the *Rate-of-Return BDS Order*. These TRPs are for rate-of-return incumbent LECs for which NECA files special access rates, and it or its equivalent should be used by carriers that file their own special access rates. The “June BDS Track 1 Individual” and “June BDS Track 1 HoldingCo” workbooks are for carriers that establish PCIs, APIs, SBIs, and upper SBI limits at the study area and holding company levels, respectively, and have elected BDS incentive regulation as of July 1, 2019. The “June BDS Track 2 Individual” and “June BDS Track 2 HoldingCo” workbooks are for carriers that establish these price cap indices at the study area and holding company levels, respectively, and have elected BDS incentive regulation as of July 1, 2020. These workbooks calculate the price cap indices and exogenous cost adjustments pursuant to section 61.50, display the relevant rates and revenues, including the proposed rates for DS3 or lower TDM-based transport and end-user channel termination BDS services, other than end-user channel termination services in areas deemed competitive, and demonstrate compliance of the proposed rates with section 61.50.⁶⁶ The Track 2 workbooks also adjust January 1, 2020 rates to determine the initial rates (prior to adjustments for inflation, productivity,

⁵⁹ 47 CFR § 61.39.

⁶⁰ Carriers that calculate a weighted average business ARC rate rather than using separate single line business and multiline business ARC rates as part of the imputed ARC calculation must explain this methodology in detail and submit the data and the calculations used to determine this weighted average rate.

⁶¹ 47 CFR §§ 61.38, 61.39.

⁶² *Id.* §§ 51.909(b)-(j), 51.917(d).

⁶³ *See id.* §§ 51.705(c)(4), 51.917(d).

⁶⁴ *USF/ICC Transformation Order*, 26 FCC Rcd at 17934-35, para. 801.

⁶⁵ *Rate-of-Return Reform Reconsideration Order*, 32 FCC Rcd at 2404, paras. 16-17; 47 CFR § 51.917(f).

⁶⁶ 47 CFR § 61.50.

and exogenous cost changes) under incentive regulation based on the category relationships factor for carriers that elect to unfreeze their category relationships and the net contribution/net recipient factor for carriers that leave NECA's traffic-sensitive pool.

38. In the *2019 TRP Order*, the Bureau instructed rate-of-return incumbent LECs electing BDS incentive regulation to reflect exogenous cost adjustments for TRS in the TRP for the annual filing if the final contribution factor was known by May 1, 2019, and, if not, in rates effective October 1, 2019, subject to a gross-up to spread the entire adjustment over the remaining months in the tariff year.⁶⁷ In September 2019, rate-of-return incumbent LECs that elected BDS incentive regulation effective July 1, 2019, filed TRPs reflecting exogenous cost adjustments for TRS, regulatory, and NANPA fees in rates that went into effect October 1, 2019.⁶⁸ Absent an exogenous cost adjustment in this year's annual filing to remove the effect of the gross-up reflected in the exogenous cost adjustment for TRS, these carriers will over-recover their TRS costs beginning July 1, 2020. Accordingly, any gross-up amount reflected in existing rates through the exogenous cost adjustment on October 1, 2019 must be removed in this year's annual filing via an exogenous cost adjustment.⁶⁹ This exogenous cost adjustment is reflected in the TRPs contained in the Appendix.

39. Rate-of-return incumbent LECs electing incentive regulation for BDS shall reflect exogenous cost adjustments for TRS, NANPA, and regulatory fees in a mid-September filing in rates to become effective October 1. Any exogenous cost adjustment for TRS reflected in rates in effect October 1 shall be "grossed up" to spread the entire adjustment over the remaining months in the tariff year. Rate-of-return incumbent LECs electing BDS incentive regulation have the option of not making an October 1, 2020 exogenous cost filing and rate adjustment if the total amount of such adjustments would either increase rates or meet a *de minimus* threshold of \$960.00, which is the current tariff filing fee, applied on the same basis as the tariff filing for which the filing fee is paid.⁷⁰

40. Rate-of-return incumbent LECs that elect BDS incentive regulation and unfreeze their category relationships in this annual filing also must submit the results of their two 2019 cost studies (one cost study with unfrozen category relationships and one with frozen category relationships) on which adjustments to January 1, 2020 special access rates and switched access base period revenue are based. The results of these cost studies should be filed in worksheets "COS-1(H)" and "COS-1(H) Frozen Cat. Rel." in workbook "2020 Annual Filing RoR ACAM."

B. General Guidelines Applicable to NECA

41. We have not adopted a TRP for NECA for services other than BDS, although NECA should refer to the rate-of-return TRP for guidance on the level of support materials to provide in its annual filing.

VI. GENERAL INSTRUCTIONS

42. The following general instructions apply to all incumbent LECs. These instructions pertain to the TRP and other documentation filed in support of access charges. Carriers should submit their data and formulas in Excel rather than PDF files.

A. Revised TRPs

43. If an incumbent LEC files to revise its TRP after June 16, 2020, the TRP should be refiled in its entirety, rather than just the parts of the TRP that are changed. The latest TRP filed becomes

⁶⁷ *2019 TRP Order*, 34 FCC Rcd at 2737, para. 42.

⁶⁸ *Id.*

⁶⁹ *See id.*

⁷⁰ 47 CFR § 1.1105.

the TRP of record. Other parts of the original filing, e.g., portions of the explanations, Description and Justification, and workpapers, may be omitted if unchanged by the revision.

B. Certification

44. The filing of inaccurate or incomplete data may seriously detract from the ability of the Commission and interested parties to evaluate the revised rates. All incumbent LECs must certify that their historical and forecast data are accurate by including a signed statement that the support data are true, correct, and complete to the best of the carrier's knowledge. This certification will apply to all data submitted in support of revised rates, including the data that are filed in the TRP. Moreover, incumbent LECs are required to make several additional certifications pursuant to the *USF/ICC Transformation Order*.⁷¹ These certifications should be displayed as the last pages in each company's filing containing its TRP. Incumbent LECs are also under a continuing legal obligation to correct any inaccurate or incomplete data subsequently discovered in the TRP or other support data.

C. Compliance with the Paperwork Reduction Act

45. As is the case with each year's TRPs, the 2020 TRPs contained in this Order contain modified information collection requirements subject to the Paperwork Reduction Act of 1995 (PRA).⁷² The TRP collections were approved by the Office of Management and Budget (OMB) under the PRA.⁷³ In addition, we note that pursuant to the Small Business Paperwork Relief Act of 2002,⁷⁴ we previously sought specific comment on how the Commission might further reduce the information collection burden for small business concerns with fewer than 25 employees.

46. In this Order, we have assessed the effects on incumbent LECs of filing the TRP and have minimized the burden to the extent possible. We minimize the regulatory burden on the incumbent LECs by deleting obsolete sections of the TRP that have not proven to be useful and by not requiring carriers to file historical data that was filed in previous years.⁷⁵

VII. ORDERING CLAUSES

47. Accordingly, IT IS ORDERED that, pursuant to sections 1, 4(i) and (j), 5, and 201-209 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(i)-(j), 155, 201-209, and sections 0.91 and 0.291 of the Commission's rules, 47 CFR §§ 0.91, 0.291, this Order IS ADOPTED.

⁷¹ *USF/ICC Transformation Order*, 26 FCC Rcd at 17987, para. 905 ("Carriers recovering eligible recovery will be required to certify annually that they are entitled to receive the recovery they are claiming and that they are complying with all rules pertaining to such recovery."); see also *id.* at 17964-65, para. 862 & n.1664 (explaining that incumbent LECs receiving Eligible Recovery must certify as part of their tariff filings, to both the Commission and any state commission exercising jurisdiction over the incumbent LEC's intrastate costs, that they are not seeking duplicative recovery in the state jurisdiction for any Eligible Recovery subject to the recovery mechanism).

⁷² Pub. L. No. 104-13; see 44 U.S.C. § 3507.

⁷³ See OMB, Notice of OMB Action, OMB Control No. 3060-0400 (dated Feb. 22, 2019), <https://www.reginfo.gov/public/do/PRAOMBHistory?ombControlNumber=3060-0400#>. In the submission to OMB, we noted that the "Commission updates the price cap and rate-of-return TRP every year to eliminate respondents' requirements to file cost and demand data that may be more than two years old and to bring the TRP data into conformance with current Commission policies." FCC, Supporting Statement at 3 (dated Sept. 2017) (OMB No. 3060-0400, section A(4)), <https://www.reginfo.gov/public/do/DownloadDocument?objectID=89445801>.

⁷⁴ Pub. L. No. 107-198; see 44 U.S.C. § 3506(c)(4).

⁷⁵ See, e.g., *supra* para. 31.

48. IT IS FURTHER ORDERED that, pursuant to sections 0.91, 0.291, and 1.3 of the Commission's rules, 47 CFR §§ 0.91, 0.291, 1.3, section 69.3(a) of the Commission's rules, 47 CFR § 69.3(a), IS WAIVED to the extent specified in *supra* paragraph 16.

FEDERAL COMMUNICATIONS COMMISSION

Gil M. Strobel
Chief, Pricing Policy Division
Wireline Competition Bureau

APPENDIX

Tariff Review Plans

<https://www.fcc.gov/2020-tariff-review-plans>